

Competitive Industry/ Targeted Industry Studies

Description/ Background

Economic cluster or competitive industry analysis is typically undertaken by communities that wish to learn more about the local economy and add focus to local economic development efforts. Specifically, these analyses provide the community information about the local industry groups (or clusters) that are the foundation of the local economy. Local industry groups that are thriving and growing faster than would be seen typically, based on job creation and other measures, are identified as competitively advantaged.

Demand for economic cluster and competitive industry analysis increased as economic development officials began more focused economic development efforts that built upon existing industries by attracting companies that would complement local industries and aiding in the development of similar new companies within an economic region.

A cluster or competitive industry is defined as a local concentration of inter-dependent companies that do business with each other and have common needs for workforce, technology, and infrastructure. In other words a cluster is not a single industry or industry type but a collection industries and firms bound together through common labor needs, common infrastructure and technology, and an integrated web of customer and buyer relationships, where individual firms both compete and cooperate. Typically cluster analysis is done at a multi-county level. For example, in the late 90's the Central Indiana Corporate Partnership sponsored an eleven (11) county cluster analysis that determined that in Central Indiana, the life science, advanced logistics, advanced manufacturing, and information technology industry clusters were competitively advantaged. These clusters continue to be an important part of the region's economic development efforts.

Completing Analysis

Both qualitative and quantitative skills are required to successfully complete an economic cluster / competitive cluster analysis. A firm understanding of industries is needed to determine effectively the types of firms that are linked through competition and cooperation to form a cluster. Cluster definitions can be taken from previous work, relying on someone else's determination of the types of firms that constitute a cluster. While there are no standard cluster definitions, the previous efforts of firms and universities are well documented. For example, in 2005 the Indiana Economic Development Council retained the Indiana Business Research Center (IBRC) and the Purdue Extension Service to undertake clusters studies for its service regions.

Once the types of firms that belong to a cluster are identified, representative NAICS (North American Industry Classification System) codes can be used to match employment data with those for those industry groups. Employment data is available at the Bureau of Labor Statistics website or at the IBRC's website [http://www.stats.indiana.edu/jobs_and_wages_topic_page.html]. The local employment cluster data is compared to similar data either nationally or among selected regions for total share of local employment and / or growth rate of employment. Those industries that have a higher share of local employment than national employment share are thought of as competitive clusters – those clusters that are growing faster than the comparison group's cluster growth rate may be thought of as particularly appealing opportunities for economic development.

Using Analysis for Implementation

Once the quantitative portion of an economic cluster / competitive industry cluster is completed, economic development practitioners typically engage local leaders of cluster firms and work together in partnership to develop strategies to support and grow the local economic contributions of firms within the targeted cluster. Typically, cluster based strategies go beyond incentives and infrastructure. These strategies might include developing local workforce competency and productivity programs, building stronger supplier networks, supporting entrepreneurship, and promoting quality of life initiatives.

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In Central Indiana, Central Indiana Community Partnership's (CICP) cluster-based initiative resulted in the development of its highly successfully BioCrossroads life sciences cluster-based organization, the more recent creation of TechPoint for information technology, and the establishment of Connexus for the advanced manufacturing and logistics industry clusters.

Relevant Statutes

No relevant statutes have been identified for this tool.

Capacity Recommendations

- Cluster analysis requires a high degree of quantitative skill and computer expertise. It can also be time intensive. As a result, many communities choose to use a consultant to prepare the analysis.
- In most cases a not-for-profit such as a Main Street organization or community development corporation serves as the convener of efforts to develop economic development strategies based on these analyses.

Guidelines / Considerations for Implementation

While much of the quantitative data for cluster-based analysis is available at IBRC or other websites, defining a cluster can be difficult. Furthermore, the analysis can be time consuming, particularly for those who have not previously done such work. Organizations with limited resources or little quantitative inclination should consider using a consultant to define the clusters and complete the analysis.

- Consideration should be given to the geographic scope of the cluster study. While it may be completed at the city level, most cluster studies are more regional in basis, usually consisting of one or more counties.
- There is no one-size fits all economic development approach to capitalize on cluster analysis. While the CICP BioCrossroads approach is often duplicated, local strategies vary widely.
- Building partnerships among the public sector and cluster industries consumes both time and resources, in part, because of the sensitive issues surrounding competition and collaboration in local economies. While the results can lead to the attraction of new companies in the short term, other outcomes such as the creation of spin-off firms and employment gains attributable to business expansion are measured in years.
- Success will likely be measured by slow steady growth in employment rather than the more spectacular location of a large regional employer.

Example Ordinances

No example ordinances have been identified for this tool.

Example Studies

No example studies are available for this tool.

Helpful References and Links

Data and Cluster Analysis

- Indiana Business Research Center, [<http://www.ibrc.indiana.edu/>]
- Purdue Extension, [<http://www.ces.purdue.edu/ecd/>]

Successful Efforts

- Central Indiana Corporate Partnership, [<http://www.cincorp.com/>]
- BioCrossroads, [<http://www.biocrossroads.com/>]

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Helpful Contacts

No contacts have been identified for this tool.

Other Possible Funding Sources

No other possible funding sources have been identified for this tool.

Program Objectives and Issues Addressed

- Economic development
- Supporting existing retail
- Small area economic development

See Also

No other tools have been referenced for this tool.